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AUTHOR Lim, Mah Hui
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ABSTRACT

This paper provides an overview of Malaysia's affirmative action program, legally constituted as Malay Special Rights. An introduction defines the aim of the program as improving the economic position of Bumiputras, who consist of Malays and other indigenous communities. These, it is said, are Malaysia's most economically disadvantaged groups; yet, in comparison with Chinese, Indians, and other significant ethnic groups, the Bumiputras constitute a majority and hold political power. The paper begins by examining the historical development of Special Rights during the period of British colonial rule. British "protection" of Malays, the paper asserts, deliberately promoted suspicion and separatism between and within the Malay and non-Malay communities. In the post-independence era, discussed next, the Bumiputras maintained their special political status, even though many were now land poor in contrast to their non-Malay counterparts who had attained greater economic power by establishing modern businesses. Special Rights between 1957 and 1970 are then considered, with particular focus on encouragements provided to Malays in education, small business, and rural land development. These are said to have been moderately successful, but both Malays and non-Malays reportedly remained dissatisfied with their country's economic inequalities. The next section outlines innovations the government had to make after racial riots erupted in 1969. Finally, the overall impact of Malay Special Rights programs are assessed; economic growth, education, inequality, and social harmony are discussed separately. It is concluded that programs have been successful in improving the economic position of the Bumiputras, but not in creating a harmonious and unified society. (KH)

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MALAY SPECIAL RIGHTS:

"AFFIRMATIVE ACTION" IN MALAYSIA

by

Mah Hui Lim

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Mah Hui Lim

Introduction

The concept of affirmative action normally is associated with programs designed to assist minority groups that have been discriminated against and left behind in the course of the development of a society. A minority is not simply weak in number, but, more important, it is disadvantaged socially, economically, and politically. Clear examples of minorities are blacks and Asian-Americans in the United States, or scheduled castes such as harijans in India.

In the Malaysian case, affirmative action is aimed at improving the economic position of Bumiputras (literally, "princes of the soil"), who consist of Malays and other indigenous communities.[1] Bumiputras are not a minority in the conventional sense of the word as they not only constitute the numerical majority in society but also enjoy political dominance, even though they are economically disadvantaged. On the other hand, the non-Bumiputras--Chinese, Indians, and others who form 45 percent of the population--are economically better-off but politically subordinate to the Bumiputras. The members of the group that receives the benefits of affirmative actions are the ones who have the political power to legislate them. Here we find that the economically disadvantaged are politically powerful and vice versa. Given the ambiguity of who constitutes a minority, the concept is not officially employed in Malaysia.

While the above situation may seem a bit strange, it is by no means unique and can be found in countries such as Kenya, Uganda, and Indonesia. These countries share a few fundamental characteristics: they are

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postcolonial societies with ethnically divided populations, and the distribution of economic and political power runs along ethnic lines.

The indigenous community holds political power while the local immigrant and foreign communities enjoy economic power. This separation of economic and political power is a result of colonial policies and practices that were meant to keep the colonized population weak and divided. Under colonial rule, while the colonial power enjoyed political and economic dominance, it also nurtured separate sets of political and economic elites among the local population. Often the local political elites were former members of the indigenous aristocracy, while the economic elites came from the immigrant communities; both were, however, subordinated to the colonial rulers. But with independence this dichotomy asserted itself. The economically disadvantaged political elites set in motion policies and programs to redress this awkward imbalance and in the process brought about economic, political, and ethnic conflicts. The affirmative action programs of Malaysia can only be understood in this context.

Constitutional Status of Malay Special Rights

Malaysia's affirmative action program is guaranteed under Article 153 of the Federal Constitution, which states that it is "the responsibility of the Yang di-Pertuan Agong (i.e., the Paramount Ruler) to safeguard the special position of the Malays and natives of the States of Sabah and Sarawak and the legitimate interests of other communities."[2] It further stipulates that the Yang di-Pertuan Agong shall reserve for Malays and other natives a reasonable proportion of positions in the public service and educational institutions, scholarships, and trading or business permits or licenses (Malaysia, 1979:151-52). Article 89 also empowers state governments to declare certain areas as Malay reservation land, where only Malays are entitled to ownership (Malaysia, 1979:85-86). A proviso is, however, added that the total area under Malay reservation shall not exceed that available for general alienation, and the act shall not affect any land that is presently occupied by

non-Malays (Malaysia, 1979:85-86). These rights are not only guaranteed in the Constitution, but their existence is also securely entrenched by the provision that they cannot be amended through the normal legislative process, which requires at least two-thirds majority support in the Parliament; in addition to this, the consent of the Conference of Rulers is required. Consequently, this provision makes it more difficult to amend the Special Rights Act than the Constitution itself. The one time when an amendment to Article 153 was made, in 1971, it only served to strengthen the constitutional status of Malay Special Rights. Under this amendment: (a) the status of article 153, inter alia, is removed from the domain of public discussion. It is seditious to question the principle and status of Malay Special Rights, and this applies even in Parliament;[3] (b) Special Rights were extended to the other natives of Sabah and Sarawak; (c) the Yang di-Pertuan Agong is entitled to increase the number of positions reserved for Malays and other natives in colleges, universities, and other tertiary educational institutions (Lee, 1978:380-81).

Historical Background[4]

The concept of Malay Special Rights originated with British colonial rule in the Federated Malay States in 1874. The philosophy underlying this idea is that even though colonialism was imposed on Malaya, the myth that Malays were still the rightful owners of the country should, and could, be maintained by granting them special status and "protection." There would be two layers of "protection": the Malay rulers who would continue to "protect" their Malay subjects, and, in turn, the British colonial government, which would "protect" the interests of the Malay rulers and the population from being overrun by non-Malays.

Britain had established colonial rule for purposes of trade and acquisition of raw material. The production of tin and rubber required wage labor that was not forthcoming from the Malay peasantry. Thus, foreign labor, as well as capital, was imported, thereby threatening to disrupt the life of the Malay peasantry. To minimize these disruptions, and to maintain a form of colonial rule that could still be viewed as in

the interest of the Malays, the concept of "protection" was created. Malay peasants and fishermen would be "protected" in their traditional mode of existence. By the same token, this "protection" prevented them from engaging in modern economic activities and consequently left them behind in the process of economic development. The Malay ruling elites were also "protected" in matters of governance by allowing them to retain symbolic sovereignty and offering them handsome economic compensation.[5]

The whole philosophy of British colonial rule in Malaya was, therefore, to set itself up as the "protector" of Malay rights. Colonial rule was seen as a form of trusteeship for Malaya, and this concept found expression in British colonial agricultural, educational, and employment policies.

Land Rights

Land in precolonial Malaya was a factor of production, not a commodity with market value. Peasants had rights to land as long as they cultivated it and met the exactions required by the Malay aristocracy (Lim, 1977:17; Wong, 1975:chap. 2). Under this system, foreigners were regarded as infidels and were not entitled to land rights. With the introduction of estate agriculture and mining operations, the British introduced the concept of private property that was later formalized under the Torrens Land Laws. Under the Torrens system, all land was treated as crown land, and Malay rulers had the power to lease it to private individuals upon payment of taxes. Land titles were issued providing the landholders with permanent, heritable, and transferable rights to land. These titles took precedence over customary proprietary rights, and foreigners were now permitted to own land. The main beneficiaries of this new land code were, no doubt, the British and Chinese miners and planters. Rubber companies expanded their operations and bought Malay peasants' land extensively, causing concern among the Malays as well as the colonial government, which preferred to perpetuate a Malay yeoman peasantry. In 1913, the Malay Reservation Enactment was passed that designated certain

areas to be reserved for Malay ownership only.[6] The act also prohibited non-Malays from holding mortgages on Malay reservation land.

While this law protected Malays from losing land to non-Malays, it also worked against their economic welfare. First, the value of Malay reservation land was depressed, as it was not acceptable as collateral by non-Malays; this aggravated the problem of credit supply for Malay peasants. Second, it did not protect the poor Malay peasants from losing their land to richer Malay peasants and landlords, many of whom were aristocrats. In other words, it strengthened the position of Malay landlords vis-a-vis the poorer peasantry and promoted increasing differentiation within the Malay population. Finally, the Rice Land Act, related to the Malay Reservation Act, prohibited Malay peasants from cultivating any cash crop other than rice on reservation land. Ostensibly, these laws were meant to "protect" the interests of the Malay peasants; in fact, they were meant as much to keep the Malay peasants from planting rubber and becoming a threat to the British plantation industry. The British intended for the Malays to continue as padi planters, providing cheap rice for the burgeoning labor force in the estates and tin mines. This was well articulated by the director of agriculture in 1934:

> Our trusteeship for the Malay people demands that we administer the country on lines consistent with their welfare and happiness, not only for today but for the future ages. That end will be attained by building up a sturdy and thrifty peasantry living on the lands they own and living by the food they grow than by causing them to forsake the life of their fathers for the glamour of new ways which put money into their pockets today but leave them empty tomorrow, and to abandon their rice-fields for new crops which they cannot themselves utilise and the market for which depends on outside world conditions beyond their orbit (cited in Roff, 1974:125).

Education Rights and Public Employment

This concept of "protection" extended into the fields of education and public employment. To increase the effectiveness of colonial rule, the British nurtured a local ruling class, in this case the Malay aristocracy, to be junior partners in administration. A Malay College in Kuala Kangsar was established in 1905 to provide English education

and upper-class English culture to children of Malay aristocrats who would supply the pool of subordinate administrative officers in the bureaucracy (Tilman, 1969:230). The colonial administration was dominated by the Malayan Civil Service (MCS) and supported by a lower-echelon bureaucracy, the Malayan Administrative Service (MAS). The former was filled almost completely by British with a few Malays promoted from the MAS; the latter was exclusively Malays, recruited mainly from Malay College. Both MCS and MAS were inaccessible to non-Malays. The declared policy was to favor the employment of Malays in government administration. This not only lowered the cost of administration but also served to mollify the Malay aristocracy who had lost political power. This ethnic imbalance in public employment was reflected in the composition of central government officials in the Federated Malay States in 1931: 61 percent were Malays, 20 percent Europeans and Eurasians, and 19 percent non-Malays (Loh, 1975:110).

While Malay aristocrats and their children were given a good English education, the ordinary Malays were provided with poor-quality Malay education to continue in their occupations as peasants. This was confirmed by a British official who declared:

> The aim of the Government is not to turn out a few well-educated youths, nor yet numbers of less well-educated boys; rather, it is to improve the bulk of the people and to make the son of the fisherman or peasant a more intelligent fisherman or peasant than his father had been, and a man whose education will enable him to understand how his own lot in life fits in with the scheme of life around him (cited in Loh, 1969:173-74).

Despite the meager investment in Malay education, it can still be said that the government had assumed "special responsibilities" for educating the Malays. Malay schools were the only ones that were fully financed by the colonial government (apart from the English-medium Malay College). Chinese education was almost completely funded from Chinese private donations, while English education was sponsored mainly by Christian missionaries with partial government subsidy (Loh, 1975; Tilman, 1964:60).[7] Tamil education, even poorer in quality than Malay education, was provided by estate owners with some government aid.

To sum up, British policy of Malay Special Rights was born out of the need to assuage the Malay populace into whose life they had rudely intruded. According to official rhetoric, these rights were meant to protect Malays from the disruptive influence of economic development and to compensate the Malay rulers for their partial loss of political power. By dividing the population into two components--indigenous (Malay) and immigrant (non-Malay) communities--and setting themselves up as the "protectors" of the Malays, the British were able to sow seeds of suspicion and separatism between the two communities. The extent to which they succeeded in doing this is evident from the fact that the Malay elites preferred the continuation of British colonial rule, after the defeat of the Japanese, in order to ward off possible challenges from non-Malays.

Effects of Protection and Special Rights

Far from promoting the interests of the ordinary Malays, these special rights and protective policies kept the Malays behind while the other communities made economic progress. This is evident from the distribution of occupation, income, and ownership by ethnic division at the end of colonial rule. Examining table 1, we find that Malays were concentrated in the lowest-paying occupations--agricultural workers and fishermen: 73 percent of the Malays were in this category, compared with 38 percent of the Chinese and 44 percent of the Indians. Only 3 percent of the Malays were sales workers, whereas 16 percent of the Chinese and 9 percent of the Indians were in this category. Similarly, we find that 10 percent of Malays were industrial workers, compared with 28 percent of the Chinese and 22 percent of the Indians. The percentage of Malays, Chinese, and Indians in the professional and administrative categories were about equal--3 percent, 5 percent, and 5 percent respectively. This uneven distribution of occupational status resulted in ethnic income inequality. In 1957, the mean income per Malay household was $139 per month, compared with $300 per month for Chinese and $237 for Indians (Snodgrass, 1980:83). (All dollars here refer to the Malaysian ringgit.)

Table 1

Distribution of Occupation by Ethnicity--1957, 1970, 1980

(%)

	1957[1]			1970			1980		
	M	C	I&O	M	C	I&O	M	C	I&O
Professional and technical	2.6	3.2	3.7	4.3	5.2	5.6	5.4	5.6	6.2
Administrative and managerial	0.4	2.0	1.3	0.5	1.8	1.2	0.7	1.9	1.2
Clerical and related workers	1.6	3.7	4.4	3.4	6.3	8.1	7.7	7.1	5.3
Sales and related workers	2.8	15.6	8.9	4.7	15.3	9.1	4.5	19.2	6.8
Service workers	4.7	7.9	13.4	6.8	8.6	11.0	7.6	9.0	8.6
Agricultural workers	72.8	37.7	44.4	62.3	21.2	41.6	45.2	18.6	37.6
Production, transport, and other workers	10.4	27.8	21.7	18.0	41.6	23.4	29.0	38.6	34.3
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
N =	1023.7	771.9	369.2	1477.6	1043.6	329.1	2211.5	1558.0	494.9

Sources: Federation of Malaya, 1957 Census, table 14,
Malaysia (1981), Fourth Malaysia Plan, p. 59.

Note: 1. For 1957, the percentages add up to a little less than 100%.
M = Malays; C = Chinese, I&O = Indians and others.

In terms of ownership of the economy, Malay ownership was concentrated in the subsistence agriculture sector, with 67 percent of it owned by Malays (Puthucheary, 1960:5). Their participation in the modern sector was dismal. In 1957, Malay business constituted only 10 percent of the 89,000 registered business establishments and accounted for only 1.5 percent of the capital invested in registered companies (Malay Mail, February 3, 1960).[8]

Although Malays were economically disadvantaged, they enjoyed political superiority, having been the favored political heirs of the British. Hence, when decolonization began, a long and complex bargaining process took place between Malays who enjoyed political privilege and non-Malays who had economic advantage; each traded one commodity for the other. A final compromise was reached wherein non-Malays, in return for receiving citizenship based on the principle of jus soli, agreed to having special rights conferred on the Malays in order to uplift their economic position. Furthermore, non-Malays accepted Malay as the national language as well as a national educational policy that made the teaching of Malay compulsory in all schools. The Reid Commission, which was originally charged with drafting the Federal Constitution for independent Malaya, provided for Special Rights to continue de facto and de jure but without constitutional status. The commission also recommended that Special Rights should continue for a period of 15 years, after which it should be reviewed with the objective of preparing for eventual abolition (Means, 1972:39). This was vehemently opposed by the Malays, who succeeded in having these two recommendations deleted. Thus, Malay Special Rights were finally enshrined in Article 153 of the Federal Constitution of 1957.

Postindependence Special Rights, 1957-70

In discussing the postindependence Special Rights Program, it is necessary to distinguish two phases--the watershed marked by the May 1969 racial riots. The riots signaled the failure of the Special Rights Program, from 1957-69, alienating both Malays and non-Malays. The Malays felt that not enough was accomplished in this program, while the

non-Malays resented the fact that they were being discriminated against. How this came about shall be our next area for investigation.

If Malay Special Rights were used by the British colonial government to "protect" Malays, which in effect also meant to exclude them from modern economic activities, they were now adopted by the postcolonial government (the Alliance government)[9] to help Malays enter into the modern sector and to attain economic parity with non-Malays; the concept of "protector" was maintained, only this time the "protectors" were the Malay sultans and politicians--a practice that continues to the present.

Article 153 specifically refers to the need for Malays to make inroads into the fields of public service, education, and business. In the initial stages, the government paid most attention to public service employment because it constituted the center of power and was easiest to achieve. The goal called for a recruitment ratio of four Malays to every non-Malay in the Malayan Civil Service (MCS); a 3 to 1 ratio in the Judiciary, External Affairs, and Custom Services; no quotas were set for the professional and technical service (Means, 1972:46). Substantial progress was made in the Malayanization of the MCS.[10] Table 2 shows that in 1957, expatriates constituted 61.7 percent of the MCS, Malays 34.6 percent, and non-Malays 3.6 percent: by 1970, there were no expatriates, Malays formed 86.6 percent, and non-Malays 13.4 percent. However, in other branches of the civil service, particularly in the professional and technical divisions, comparable percentages were not found, so that taken as a whole, non-Malays still outnumbered Malays in the senior bureaucracy (Division I officers). Table 3 shows that expatriates' share of the senior bureaucracy dropped from 61 percent to 0 percent, while Malays' share increased from 14.1 percent to 36.3 percent, and non-Malays' from 20.2 percent to 57.6 percent for the period between 1957-68.

Education

Education in postindependent Malaya has increasingly come under the control of the government, which finances and regulates it. In the first three five-year plans between independence and 1970, educational

Table 2

Ethnic Composition of the Malayan Civil Service, 1950-70

(%)

Ethnic Group	1950	1957	1963	1970
Malays	21.4	34.6	86.2	86.6
Non-Malays	0	3.6	10.7	13.4
British	78.6	61.7	3.1	0
Total %	100.0	100.0	100.0	100.0
N =	145	358	290	696

Source: M. Puthucheary, 1978:54.

Table 3

Ethnic Composition of Division I Officers

(%)

	1957	1962	1968
Expatriate	61.0	14.1	0
Malays	14.1	29.3	36.3
Chinese	13.2	34.0	36.1
Indians	7.0	15.9	21.5
N =	2761	2902	4308

Source: Means, 1972:47.

expenditure averaged 7.6 percent of the total public development expenditure (Snodgrass, 1980:50). Without access to ownership of the economy, as is the case with the majority of Malays, education becomes the major instrument for social mobility. The combination of these two factors makes it necessary and possible for the government to emphasize the provision of Special Rights for Malays in the field of education.

Until independence, the major beneficiaries of English education were the non-Malays who had greater accessibility to it by virtue of being located in urban areas. Of those children born in 1960 and enrolled in primary schools, only 17 percent of Malay children were enrolled in English schools, compared with 25 percent for Chinese and 49 percent for Indians (Kementerian Pelajaran, 1973:27).

Various efforts have been made to improve educational opportunities for Malays: scholarships are given generously to Malay students at all levels of education; special institutions such as the RIDA Training Center were established to provide vocational and professional training for Malays; admission standards for secondary and tertiary institutions have been lowered for Malays; the whole educational system has been reorganized, including the conversion of all English-medium schools to Malay-medium schools beginning with grade 1 in 1970.

The principal institution set up for educating Malays is the RIDA Training Center, which became the MARA Institute of Technology (MIT) in 1967. In the initial years, little concrete action was made to train Malay professionals and businessmen. In 1964, only 67 students were enrolled in the RIDA Training Center; by 1966, the enrollment increased to 394, two years later it soared to 2,450, and it was expected to reach 4,000 by 1970 (KEB-2, 1968[b]:4). RIDA/MARA not only trains students but also grants scholarships to Malay students for studying in other institutions. In the first 12 years, it provided only 12 scholarships, but between 1966 and 1968, the number of tertiary scholarships provided jumped to 487 (KEB-2, 1968[b]:12).[11]

Two events account for these dramatic changes--the First and Second Bumiputra Economic Congresses held in June 1965 and September 1968

respectively. These two congresses can be regarded as the most important events challenging the government to implement the Malay Special Rights Program with greater speed and zeal. Out of these congresses, RIDA was reorganized into MARA and given greater economic and political clout; Bank Bumiputra, FAMA (Federal Agricultural and Marketing Authority), and PERNAS were established.

While MARA was set up almost exclusively for Malays, the other tertiary institutions were not. In the sixties, the only university in Malaysia was the University of Malaya. Its student composition in 1963-64 was 21 percent Malays, 60 percent Chinese, and 19 percent Indians (Snodgrass, 1980:248). With the affirmative action program, the intake of Malay students grew steadily, and by 1970, when two other universities were established (Universiti Sains and Universiti Kebangsaan), the student composition in the local universities was 40 percent Malays, 49 percent Chinese, and 11 percent Indians and others (Malaysia, 1973:193).

The issues of national language and education featured prominently in the bargaining process between Malays and non-Malays prior to 1957. A compromise was struck; Malay would be taught as a compulsory subject in all schools after independence and would become the sole official language after 1967.

The policy of creating a national educational system and the use of a national language was infused with political and economic considerations. As Silcock noted:

> The English educated Malays could capture power only by coming to terms with the Chinese. Having a majority of the electorate, as well as a greater participation in the British system of government, they had superior bargaining power, and they realized that emphasis on English education would favour the urban and non-Malays. They could not, however, press for a completely Malay system of education without alienating the essential minimum of Chinese support. As a result, a mixed system with gradual pressure toward Malay as a national language was introduced (cited in Snodgrass, 1980:243-4).

Special Rights: Penetration into Private Industry

Compared with the public service and educational sectors over which it has greater control, governmental attempts to force the private sector

to increase Bumiputra participation are more difficult to implement. Nevertheless, three major sets of strategies have been used toward this end: (1) the government has legislated Malay quotas for the issuance of trading/business licenses and permits, ownership of equity, and employment; (2) it provides special assistance such as credit, training, and business sites to Malay businessmen; (3) it undertakes responsibility to acquire shares in private corporations on behalf of Bumiputras. While all three strategies have been applied in the pre- and post-1970 periods, the third strategy is given more emphasis in the latter period.

Business Licenses

Article 153 empowers the Yang di-Pertuan Agong to reserve a reasonable proportion of business licenses and permits for Bumiputras. Transport and construction were the first industries affected by this ruling. A Road Traffic Ordinance was passed in 1958 requiring that all new transport licenses be issued to Malays until their share in the industry became equivalent to their share of the total population in each state. Thus, between 1958-68, 52 percent of all new taxi licenses (2,319) were issued to Malays, leading to the fulfillment of the proposed targets in all but five states (KEB-2, 1968 [b]:57; 1968 [c]:69). In the road haulage sector, all applications for operating A- and B-category trucks (i.e., larger trucks) were rejected outright unless they had some Malay participation. By 1968, Malays held 242 of type A, 395 of type B, and 1,186 of type C trucks, in addition to 387 licenses issued to joint ventures between Malays and non-Malays (KEB-2, 1968 [b]:57). Malay participation in bus transportation was less encouraging; in the same period, the number of Malay bus companies increased from 13, with a paid-up capital of $1.2 million, to 34, with a total capital of $5.7 million (KEB-2, 1968 [b]:58).

Government expenditures on infrastructure averaged 44 percent in the first three development plans, and this provided enormous opportunities for private contractors. Not surprisingly, Malays wanted a share of the pie, and the Malay Chambers of Commerce pressured the government to

allocate no less than 25 percent of all government contracts to Malays (Golay, 1969:363). The different state governments promulgated their own directives to employ Malay contractors. In Johore, Malay contractors automatically received tenders ranging from $500 to $5,000; in Negeri Sembilan, they would be given contracts if their prices were no more than 10 percent of the non-Malay offers (KEB-2, 1968 [b]:93, 115). As a result of these measures, Malay firms accounted for 34 percent of the number of contractors and 21 percent of the total value of output of construction establishments with work of less than $100,000 (Ismail, 1974/75:14).

Malaysia is the world's largest producer of tin, yet it was not until 1978 that her tin-mining industry came under local ownership and control. Tin mining is highly capital intensive, characterized by a high degree of economic concentration in a few large corporations. Small and medium-sized miners, predominantly Chinese, play a secondary role, while private Malay miners are insignificant. In 1958, the National Land Council recommended the government to prospect for tin in Malay reservation land and encouraged Malays to take up mining leases. But little was accomplished. In 1965, only 10,551 acres, or 2 percent of mining land, was leased to Malays, and of this, less than 1,000 acres were actually worked by Malays (KEB-1, 1965:123).

The exploitation of timber resources in Malaysia gained importance only in the 1960s, much of this industry controlled by non-Malays. In 1964, of the 1,230 licenses and permits issued for timber exploitation, only 428 (35 percent) were held by Malays, covering 37 percent of the total acreage, but most of this was subleased to non-Malays. The First Bumiputra Economic Congress resolved that no less than half of all new leases be granted to Malays, and this was accordingly implemented. In 1966 and 1967, 54 percent and 58 percent of all new timber licenses were granted to Malays (KEB-2, 1968 [b]:34-37).

The above statistics in the various industries seem to indicate considerable success in Malay participation, but the reality is less comforting. It is revealed time and time again, in almost every Malay

economic conference, that most Malays resell their licenses to non-Malays for a fee or allow their names to be used as fronts for non-Malays who run the enterprise and pay a tribute to the Malays. This problem of sleeping partnership, termed Ali-Baba or Ali-John,[12] is as intractable as it is ubiquitous. It results from a policy that is more concerned with meeting the targets on paper than in reality. Entrepreneurs cannot be created overnight, particularly when they lack capital, technical and organizational know-how, and business connections. Under such circumstances, the Malays who are granted licenses find it easier to sublease them for a lucrative fee than to operate the businesses themselves.[13]

For example, in the timber industry, it was revealed that 99 percent of the logging firms in Kelantan are run on an Ali-Baba basis (NST, April 19, 1978); in Perak, less than 20 percent of the Bumiputras were directly involved in their mining and logging enterprises; in Penang, less than 20 percent of the registered Bumiputra contractors operate their own businesses (NST, April 21, 1975); in Pahang, only 4 percent of Bumiputra contractors carry out the jobs offered to them (NST, November 30, 1978). The Socio-Economic Research Unit of the Prime Minister's Department identified the wholesale trade and construction industries as most beset with this problem (NST, December 23, 1979). Repeated calls have been made to penalize Bumiputras who abuse their privileges through indulging in Ali-Baba practices, but it is obvious that the problem can neither be wished nor warned away.

In the field of commerce, foreign trade is dominated by foreign capital, while local trade is controlled by Chinese merchants. While Malays were encouraged to enter into commerce, little was given by way of support. As of 1965, RIDA provided only $1.6 million in loans to Malay retail shops (KEB-1, 1965:82). Some efforts were made to cut into the Chinese monopoly of the rice-milling and marketing business through imposition of quotas, and the use of cooperatives. In 1960, merchants were required to purchase one ton of domestically milled rice from cooperative or government millers for every two tons imported (Golay, 1969:380). The minister of agriculture, Aziz Ishak, in the early sixties,

spearheaded the cooperative movement to displace Chinese middlemen, and attempts were made to withdraw rice-trading licenses from Chinese merchants. This evoked extreme protest from the Chinese merchants, who were able, through the Malayan Chinese Association, to pressure the prime minister to expel Aziz Ishak from the Cabinet in 1962, to be followed later by his detention (Aziz, 1977).

Provision of Assistance--Credit and Training

It is all well and good to encourage Malays to go into business and reserve quotas for this purpose, but unless they have capital and know-how, the programs remain as empty shells. The lack of capital, technical, and entrepreneurial skills have been identified as the major problems facing Malay businessmen, but little has been done to overcome them.[14] Before 1965, the only major source of credit came from RIDA, whose total value of credit to 1,780 establishments amounted to only $6.2 million as of 1965 (KEB-1, 1965:82).[15] At the First Bumiputra Economic Congress, the proposals to establish Bank Bumiputra and to increase RIDA's credit facilities were accepted and implemented. As a result, between 1965-68, RIDA dispensed loans amounting to $11.3 million (Beaglehole, 1969:235). In RIDA/MARA's 20 years of existence (1951-70), a total of $70 million in credit was given (Malaysia, 1976:192). Just how inadequate all this was can be seen from the fact that in 1968, the total amount of loans from commercial banks in Malaysia was $1,653 million, of which well under 4 percent went to Bumiputras (Treasury, 1975/76: Appdx. 9.2; 1979/80: Appdx. 6.2).

Training and technical assistance constitute the other major forms of assistance given to Bumiputra businessmen. The agencies performing this role are RIDA/MARA, the National Productivity Center (NPC), Malaysian Industrial Finance Ltd. (MIDF), and Malaysian Industrial Estate Ltd. (MIEL). NPC concentrates on providing short-term training courses in technical and management aspects for small businessmen, while RIDA/MARA concentrates on formal training of professionals. All these agencies

also assist by way of providing consultancy services and feasibility studies.

Ownership and Management

Most of the programs described so far are aimed at helping small businessmen, with the exception of education and employment opportunities that benefit the professionals more. It was observed at the First Bumiputra Congress that little was done in regard to taking over ownership and control of the corporate sector, which was still monopolized by foreign capital. It noted that "we should judge the success or failure of the policy of increasing participation in industry by Bumiputra on the question of ownership of companies. If Bumiputras do not own their companies or do not share in the ownership of Malaysian companies, then this policy is a failure" (KEB-1, 1965:105).

The first measures taken to acquire ownership of large corporations came in 1961 with the establishment of Syarikat Permodalan Kebangsaan Bhd (National Investment Corporation). In 1965, the minister of commerce and industry reported that his ministry required pioneer companies to reserve at least 10 percent of their shares for Malays in order to be granted licenses for operation. The National Investment Corporation would buy shares allocated for Bumiputras and then resell them to private Bumiputras. Between 1961-67, the corporation was allocated $8.1 million shares and at the end of 1966, it held $4.6 million and had disposed of $3.5 million of the shares to Malay individuals (Golay, 1969:382-83).

Two other institutions that play a role in expanding Bumiputra investments are Tabung Haji (Pilgrims Fund), established in 1962, and MARA Unit Trust, started in 1967. Tabung Haji mobilizes funds from Muslims, who save to make a pilgrimage to Mecca, for portfolio investments. By 1967, it had $5.7 million in deposits, half of which were invested in shares of private corporations (Golay, 1969:383); three years later, the deposits stood at $28.5 million, contributed by 60,500 individuals (Thillainathan, 1976:52). In 1968, MARA Unit Trust launched

its first Unit Trust Fund, valued at $1.5 million, which was oversubscribed; 80 percent of the subscribers came from the rural areas.

Clearly, the investment of a few million dollars could hardly make a dent in the ownership structure of large corporations, and this was revealed in two studies. Despite the 10 percent Malay ownership quota, Lindenberg's study of pioneer companies showed that less than 1 percent of the equity was held by Bumiputras (1973:254); and the government revealed for the first time that of the total share capital of all limited corporations in 1969, only 1.5 percent was owned by Malays, 24.3 percent by non-Malays, and 62.1 percent by foreigners (Malaysia, 1971:40).

Compared with the progress made in share ownership acquisition, the appointment of Malays on boards of directors of large corporations was substantial. In 1967, 10 percent of the directors in Lindenberg's 50 percent sample of pioneer companies were Malays, 60 percent of these were former bureaucrats and/or politicians (1973:258, 261); in 1974, 67, or 12 percent, of the 579 directors of the 100 largest corporations in Malaysia were Malays (Lim, 1981:54). The appointment of Malay directors is one of the few areas in which the Malay Special Rights Program is quite willingly implemented. What accounts for this discrepancy between ownership and directorship participation? In an economy where the government is a major client, and also increasingly regulates the private sector, corporations are eager to appoint prominent Malays, especially politicians or former civil servants, to their boards to facilitate transactions with the government. These Malay directors are handsomely rewarded for the role they perform, and the fact that these spoils have been limited to a few individuals has not gone unnoticed by the smaller Malay businessmen. At the Second Bumiputra Congress, the Selangor Chambers of Commerce criticized companies for appointing Malay directors for purposes of lobbying and window-dressing and also prominent Malays who have monopolized these directorships. It further suggested that a board be set up to allocate these directorships to benefit more Malays (1968 [a]:14-15).

Rural Land Development

Article 153 focuses on redressing economic backwardness of Malays, which is more obvious in the urban sectors; nevertheless, the rural Malays are afflicted with problems of low productivity, poverty, and landlessness. Because rural Malays form the bulk of the Malay electorate, the government can ill afford to neglect their welfare; this is shown in the amount of expenditure spent on agricultural and rural development, which averaged 20 percent of the total public development expenditure in all the plans between 1956-70 (Snodgrass, 1980:50). In contrast, commerce and industry received an average of 2 percent for the same period. The biggest category in rural and agricultural development expenditure goes to the opening of new land for Malay peasants. This program is spearheaded by the FELDA (Federal Land Development Authority), established in 1956, and to a lesser extent by other state land schemes. FELDA alone developed 186 schemes involving 37,435 families on 812,684 acres of land between 1956-76 (Snodgrass, 1980:179). In theory, land development schemes (with the exception of the Malay reservation land) are not classified under the Special Rights Program and are, therefore, open to other ethnic groups; in practice, they are meant for Malays. Of the 17,975 families FELDA resettled by 1970, 94 percent were Malays (Wikkramatileke, 1975:115).

Racial Riots of 1969 and the New Economic Policy

It is no exaggeration to say that the Malay Special Rights Program represents the most explosive issue in Malaysian politics. It has caused resentment on the part of both Malays and non-Malays. On the one hand, non-Malays were resentful that they were being discriminated against for too long. They found it increasingly difficult to obtain scholarships, admission into higher educational institutions, and employment in public service.

The inability of the various communities to arrive at a modus vivendi spawned mutual distrust and resentment, which eventually erupted into an ugly racial confrontation in 1969. Originally, the government

accused the communists of starting the riots (Abdul Rahman, 1969). Later, it changed its tune and recognized that the root cause was its own failure to solve the problem of economic inequality between Malays and non-Malays.[16]

A direct result of the riots was the promulgation of the New Economic Policy, based on the philosophy articulated at the First Bumiputra Economic Congress, which recognized the limitations imposed by a laissez-faire economy in promoting the development of a disadvantaged class. The Congress specifically proposed increased government intervention and regulation to promote Malay economic interests, a strategy that found expression in the explosion of public enterprises after 1970. The lower-class Malays also expressed their disenchantment with the government by giving their support to the Malay opposition party, Pan Malayan Islamic Party (PMIP), in the 1969 elections. The Chinese released their pent-up frustrations by rejecting the Malayan Chinese Association and voted for non-Malay opposition parties. Even though the Alliance government won the elections, it suffered a significant setback. The political protest and challenge launched by the non-Malays through the elections threatened the Malays, who were already feeling economically insecure and resentful. This double threat precipitated the racial riots that came a day after the election results were announced.

The riots forced the Alliance government to reconsider its laissez-faire economic philosophy and strategy of consociational politics, and resulted in the following changes:

1. It led to constitutional amendments that, inter alia, further strengthened the status of Malay Special Rights referred to earlier in the paper.

2. The promulgation of the New Economic Policy (NEP), which gives added vigor and clearer guidelines to improve the economic lot of the Malays. Two objectives were spelled out in the Second Malaysia Plan: the eradication of poverty, and the restructuring of the economy so that Bumiputras would have at least 30 percent employment in, and ownership of, the economy by 1990.

3. The realignment of political parties through the co-optation of opposition parties into a broad coalition, called the National Front, under the hegemony of UMNO.

Corporate Ownership

The most significant aspect of the New Economic Policy is the participation of the government in corporate ownership through its state enterprises. To meet the objective of 30 percent Bumiputra ownership, the financial allocations for existing and new state enterprises were increased substantially. For example, the MARA's and the MIDF's budgets were increased from $51 million and $16 million respectively to $184 million and $100 million between the First and Second Malaysian Plans (Malaysia, 1971:69; 1973:99). Komplex Kewangan was formed to expand MARA's investment activities. Other new institutions established to spearhead corporate ownership, and which were generously funded, were PERNAS (Perbadanan Nasional Bhd.--National Corporation, $150 million), SEDCs (State Economic Development Corporations, $193 million), UDA (Urban Development Authority, $160 million), MISC (Malaysian International Shipping Corporation, $107 million), BPMB (Bank Pembangunan Malaysia Bhd. and others, $100 million) (Malaysia, 1973:99). Together, these institutions consumed 10.2 percent of the total public development expenditure for 1971-75, compared with a mere 2.2 percent in the preceding five years (Malaysia, 1971:69; 1973:99). Despite these measures, by the mid-1970s, $353 million of share capital in approved limited companies were reserved for Bumiputras, but only half were taken up, and in 1973, only 6 percent, or $41 million shares, in pioneer companies were owned by Malays (Malaysia, 1973:145, 151). Therefore, further impetus was given to this program with the establishment of the Bumiputra Investment Foundation and its investment company, Permodalan Nasional Berhad (PNB), which was allocated $500 million capital in the Third Malaysia Plan and increased to $1,500 million in the Fourth Malaysia Plan (Malaysia, 1981:241). PNB buys shares in the open market or shares reserved for Bumiputras in corporations and then resells them to Bumiputras in the form of unit trust. To prevent the immediate resale of

shares to non-Bumiputras, which would defeat the purpose of Bumiputra ownership, the owners are allowed to sell only through the unit trust. In January 1981, the government announced a scheme offering 31 percent or $1.5 billion worth of its total shares for sale to private Bumiputra interests through PNB (NST, January 10, 1981). To enable people to take advantage of this offer, Bumiputras were eligible for loans of up to 80 to 90 percent of the value of shares from Bank Bumiputra and Malayan Banking Bhd. (NST, May 30, 1980; Star, May 28, 1980). It was estimated that as many as 350,000 Bumiputras participated in this scheme (NST, January 15, 1981). PNB has become one of the leading Bumiputra investment institutions, having acquired $487 million shares in 60 companies as of February 1981 (NST, February 4, 1981). The other leading investment agency is PERNAS, established as a holding company in 1969. Between 1971-80, it acquired equity of over $500 million in mining, construction, trading, plantation, and finance industries (Malaysia, 1981:67). PERNAS, beginning in the mid-1970s, started to acquire controlling interests in Sime Darby Holdings and London Tin Corporation, one of the largest plantations and the largest tin-mining corporation in Malaysia. PERNAS has equity participation in 37 companies, managed through eight wholly owned subsidiaries, and employed, at the end of 1980, 16,593 persons (8,741 Bumiputras) (Malaysia, 1981:67). Through one of its major subsidiaries, Malayan Mining Corporation, it operates 37 tin dredges, representing 71 percent of the total dredges in Malaysia (Malaysia, 1981:315). Despite its widespread equity participation in 37 companies, its financial management has been less than desirable. The Auditors General Report on PERNAS Group's financial performance showed that they only made a total profit of $2.8 million (Rocket magazine, published by the Democratic Action Party, June 1981).

Between 1971-80, Bumiputra share in corporate equity grew at an average annual rate of 31.4 percent, from 4.3 percent to 12.4 percent. Bumiputras had taken control of the banking, financial, plantation, and mining sectors. In banking and finance, the government owned 77.4 percent of the local banking industry and 50 percent of the total banking industry (FEER, May 8, 1981:74; April 2, 1982). In insurance, out of a total of 36

insurance companies in Malaysia, Bumiputras have interest in 32; they have more than 51 percent equity in seven and more than 10 percent in eleven (MCA, 1980:2). In the estate sector, of the largest plantation companies, the government has controlling interest in Sime Darby, Gurthries, Boustead, Highland and Lowlands, Barlow, and Harrisons and Crosfield (FEER, August 8, 1980; October 9, 1981; February 27, 1981; NST, September 9, 1981; June 11, 1982). In tin, PERNAS, in partnership with Chartered Consolidated, took control of London Tin Corporation and reconstituted it to become Malaysian Mining Corporation, the largest tin producer in the world. In 1981, Malaysian Mining Corporation merged with Malayan Tin Dredging, a move to increase Bumiputra controls of the latter without having to buy its shares (FEER, September 4, 1981).

Credit

In extending Bumiputra control over the economy, the government followed a two-pronged strategy. In strategic corporate sectors such as banking, plantations, and mining, where massive acquisition of equity is necessary, state corporations and public agencies (like Pilgrims Fund, Police Cooperatives) are principal vehicles for takeover. In the other sectors such as construction, transport, and trade, where economic concentration is less marked, ownership by small and medium-sized businesses is encouraged. Here credit becomes vital to Bumiputra small businessmen. Through ownership and regulation of the financial sector, the government has insured the expansion of credit for Bumiputras.

With the New Economic Policy, banks were directed to increase their lending to Bumiputras. Initially, in August of 1974, banks were required to provide at least 12 percent of their loans to Bumiputras; this was raised to 20 percent in October 1976 (Bank Negara, 1979:164-65). As a result of this measure, bank credit to Bumiputras rose from $149 million (5 percent of the total credit) in 1971, to $4,780 million (20.6 percent) in 1980, i.e., at an average of 50 percent per year (table 4). As of January 1980, a total of $1.9 billion in loans have been dispensed to Bumiputras (NST, April 8, 1980).

Table 4

Credit Assistance--1971 and 1980

($ million)

Institution	1971		1980	
	M	N-M[1]	M	N-M
Commercial banks and finance companies	149.3	2,851.4	4,780	18,440
Credit Guarantee Corporation (CGC)[2]	-	-	(150)	(200)
MARA	15.0	-	50.3	-
UDA	-	-	7.4	-
MIDF	13.1	56.9	39.7	-
BPMB	-	-	129.3	-
Petty Traders Program	-	-	17.3	-

Source: Malaysia (1981), Fourth Malaysia Plan, p. 66.

Notes: 1. M = Malays; N-M = Non-Malays

2. CGC was formed in 1972; UDA (1972); BPMB (1974); Petty Traders Program (1972).

Commercial banks were also initially required to lend at least 3 percent of their total loans to small enterprises; this quota was raised to 10 percent in June 1975. In July 1972, the government set up the Credit Guarantee Corporation (CGC), an institution that underwrites a guarantee for 60 percent of the loans given by commercial banks to small businessmen, with the remaining undertaken by the banks themselves. In 1973, CGC guaranteed 617 loans worth $1.9 million, with about 53 percent of the loans going to Malays (Malaysia, 1973:15); by December 1977, it guaranteed 54,591 loans worth $480.4 million, with 67 percent of the total number of loans accounting for 42 percent of the total value going to Bumiputras (Chee, 1979:48). Yet another scheme to assist small business is the Petty Traders Program, which received an allocation of $50 million in the Fourth Malaysia Plan.

While new schemes were initiated, old ones were strengthened to provide more credit to Bumiputras. MARA, which provided only $15 million in loans in 1971, increased them to $50 million in 1980; MIDF provided $13

million in 1971, but $39 million in 1980. Bank Pembangunan (Development Bank) was started in 1974 to provide medium- and long-term loans to Bumiputras, and in 1980 gave $129 million in loans.

In all, credit assistance to Bumiputras has increased considerably, even though it is still below that of the non-Bumiputras.

Education and Occupation

The Constitutional Amendments of Article 153 in 1971 specifically empowers the Yang di-Pertuan Agong to increase the intake of Bumiputras into tertiary educational institutions. Between 1970-75, four new universities were established, and the intake of Bumiputra students expanded phenomenally. In 1970, there were only 3,237 (40 percent) Bumiputra students in the local universities; by 1975, the number reached 8,153 (57 percent), and in 1980, it was 13,857 (67 percent), far exceeding their population percentage in the country (Malaysia, 1976:401; 1981:352). By the mid-1970s, the problem was not simply one of increasing the number of Bumiputra students in universities; the concern was the field of education. To create a viable Malay industrial and commercial community, they needed training in science, technology, and business. But in 1970, only 384, or 12 percent, of the Malay students were enrolled in science departments, compared with 2,430 (49 percent) non-Malay students in such departments. The situation improved by 1975; 2,342 (29 percent) Malay students were now enrolled in science courses, compared with 4,004 (65 percent) non-Malays (1976:403).

Closely related to education is the change in occupational structure for Malays and the desire to create a professional and middle-class Malay. In 1957, only 3 percent Malays were in the professional-technical and administrative-managerial occupational categories; this increased to 4.8 percent in 1970 and to 6.1 percent by 1980 (see table 1). In the clerical and sales categories, the respective percentages were 4.4 percent, 8.1 percent, and 12.2 percent. In all these categories, the percentages more than doubled. In contrast, even though the non-Malay percentages are still higher, their growth has slackened considerably. The percentages

of Chinese in the first two occupational categories were 5.2 percent (1957), 7.0 percent (1970), and 7.5 percent (1980). For the clerical and sales occupations, the percentages were 19.3 percent, 21.6 percent, and 26.3 percent.

Overall Impact of Malay Special Rights Program

The Malay Special Rights Program tends to present issues in purely ethnic terms. Ethnic communities, such as Malays, Chinese, and Indians, are regarded as homogenous groups that become the major actors and units of analysis in society. Frequently, such a view is encouraged by social scientists, who argue that ethnicity, religion, or certain cultural values are more salient in accounting for group identity and action in "developing" or "traditional" societies. While the saliency of ethnic consciousness cannot be ignored, it also cannot be taken as a given state of affairs. Ethnic communities in Malaysia have never been homogenous, often rent by economic, regional, and other divisions. Objectively, there is more inequality within each community than between communities (Anand, 1973). Furthermore, the degree of ethnic consciousness varies between periods. Thus, social science, instead of assuming ethnicity as a constant, should seek to explain its variations. It is therefore more fruitful to examine how the program has affected not only Malays and non-Malays as a whole, but also the different classes within each community.

Economic Growth

We shall begin with the impact on the non-Malay communities as a whole. The economic growth of non-Malays, measured in terms of ownership, occupation, and income, has not stopped, although it has slowed down compared with that of the Malays. In terms of the overall share ownership of the corporate sector, the rate of growth for the non-Malays between 1971-80 was 18.8 percent compared with that of Malays, which was 31.4 percent; non-Malays' share of corporate ownership increased from 34 percent to 40.1 percent, while the Malays' share increased from 4.3 percent to 12.4 percent during the same period (see table 5). In terms

Table 5

Ownership and Control of the Corporate Sector, by Ethnicity
1971-1980

	1971	%	1980	%	Annual Growth Rate 1972-80 (%)
Malaysian residents	2,512.8	38.3	13,817.8	52.5	20.9
Bumiputras	279.6	4.3	3,273.7	12.4	31.4
Other Malaysians	2,233.2	34.0	10,544.1	40.1	18.8
Foreign residents	4,051.3	61.7	12,505.2	47.5	13.3
Total	6,564.1	100.0	26,323.0	100.0	16.7

Source: Fourth Malaysia Plan, 1981-85, p. 62.

Table 6

Number of Contractors Registered with the Ministry of Work and Utilities, 1970, 1981

	1970		1981	
Class	Bumiputra	Non-Bumiputra	Bumiputra	Non-Bumiputra
A-C	37	339	343	1,035
D-F	1,874	3,138	5,673	2,494
Total	1,911	3,477	6,016	3,529

Sources: Adapted from (a) Adam Ismail (1974/75): Tables 1-8; (b) Star, September 4, 1981.

Table 7
Size Distribution of Household Income by Ethnic Group, Peninsular Malaysia, 1957-76

	MALAY HOUSEHOLDS					CHINESE HOUSEHOLDS					INDIAN HOUSEHOLDS					ALL HOUSEHOLDS				
Income Share:	1957/8	1967/8	1970	1973	1976	1957/8	1967/8	1970	1973	1976	1957/8	1967/8	1970	1973	1976	1957/8	1967/8	1970	1973	1976
Top 5%	18.1	22.2	23.8	22.7	n.a.	19.2	19.9	25.4	18.8	n.a.	19.4	22.3	28.4	25.6	n.a.	22.1	23.6	28.1	26.4	n.a.
Top 20%	42.5	48.2	51.3	50.8	n.a.	46.0	46.7	52.3	48.6	n.a.	43.6	48.1	53.6	51.3	n.a.	48.6	51.3	55.9	53.7	61.9
Middle 40%	37.9	34.8	35.7	35.5	n.a.	35.9	36.3	33.5	35.5	n.a.	36.6	35.6	31.5	33.7	n.a.	35.5	34.4	32.5	34.0	27.8
Bottom 40%	19.6	17.0	13.0	13.7	n.a.	18.1	17.0	14.2	15.9	n.a.	19.8	16.3	14.9	15.0	n.a.	15.9	14.3	11.6	12.3	10.3
Mean Income	140	63	172	222	529	302	349	381	444	1247	243	260	301	365	519	215	240	264	324	801
Median Income	112	120	122	n.a.	357	223	261	269	n.a.	623	188	191	195	n.a.	232	156	154	167	n.a.	319
Gini Ratio	.34	.40	.46	.45	.47	.38	.39	.46	.42	.58	.37	.40	.47	.44	.49	.412	.442	.502	.50	.567
Theil Index	.21	n.a.	.40	.36	.44	.25	n.a.	.39	.31	.73	.23	n.a.	.39	.35	.50	.295	n.a.	.476	.43	.709

Source: K.S. Jomo and Ishak Shari, 1981: 215-16.

n.a.: not available

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of occupation, again the rate of upward mobility among the Malays is much higher than the non-Malays; however, the non-Malays are still a little ahead of the Malays in the professional-technical and administrative-managerial categories (see table 1). Measured by median household income, Chinese income is still almost twice that of Malays, but Indian income has fallen behind that of the Malays (see table 7).

Moving beyond the aggregate level, we find that the program has differential impact on the different classes in the communities. It has affected the lower echelons most negatively. Taking the acquisition of business licenses in the construction industry as an example, we find that the squeeze is felt most keenly by the small businesses. Table 6 shows that between 1970-81, the number of non-Malay small contractors (categories D-F) fell from 3,138 to 2,494;[17] whereas the number in the big contractors category (A-C) increased threefold, from 339 to 1,035. On the other hand, the number of Malay small contractors rose from 1,874 to 5,673 in the same period. As a result, Malays account for 70 percent of the small contractors while non-Malays for 75 percent of the big contractors.[18] Competition between the Malays and non-Malays tends to be sharpest in the small business sector where opportunities for joint venture and cooperation are limited, given the market and capital constraints that small businesses face. Consequently, the probability of ethnic tension, arising out of competition, among small businessmen would tend to be higher.

On the other hand, there is evidence to show that the relations between the non-Malay and Malay big businessmen are more collaborative. It is found that practically all the successful Malay big businessmen have joint ventures with either local or foreign non-Malay partnerships.[19] We need to illustrate with only two such cases: (1) Harun bin Dato Musa Ibrahim, one-time acting high commissioner of Malaysia to Singapore, left the civil service to start his own company and now a successful businessman is of the opinion that he has "more in common with Ah Kow the businessman than with Ahmad the fisherman"[20] (Malaysian Business, March 1977:63). (2) Tengku Ariff Bendahara, a younger brother of the

present Yang di-Pertuan Agong, heads a conglomerate of more than a dozen companies. His first involvement in the construction business came in 1972 with the establishment of Tab-Faiyin Corporation, a joint venture with Fai Yin Engineer Works, a Chinese firm (Economic Bulletin, March 1976). The relation between the Malay and non-Malay big businessmen is symbiotic; just as the prominent Malay politician or civil servant with influence is sought after as a director, so the non-Malay businessman who has capital and entrepreneurial know-how is courted as a partner by the Malay who wants to establish a big business. As a result, despite a certain degree of discomfort that the non-Malay big businessmen feel about the New Economic Policy, many of the more prominent ones have, in fact, benefited from it, particularly through the vehicle of joint ventures. The percentage of joint-venture establishments increased from 9 percent to 28 percent in the industrial sector between 1970-75 (Malaysia, 1981:64).

Education

Another area where non-Malays are adversely affected and have reacted strongly is in education. Educational opportunities for non-Malays, particularly at the tertiary level, have shrunk enormously; in 1970, non-Malays formed 60 percent of the total enrollment in local universities; in 1980, the percentage dropped to 27 percent, while that of the Malays rose from 40 percent to 73 percent (Malaysia, 1981:352). Besides the drastic decline in higher-educational opportunities for non-Malays, the gradual introduction of Malay as the medium of instruction to all government-aided schools has alienated further the non-Malays. All English-medium schools have been converted into Malay-medium schools; and while Chinese and Tamil schools are still allowed at the primary and secondary level, they are discouraged. At the tertiary level, the government in 1981 turned down a request by the Chinese to establish a private university with Mandarin as the medium of instruction. The issues of language and education have become a fertile ground for breeding Chinese chauvinism, in large part a result of the government's policies. If the

limitations placed on non-Malays to acquire an education in their own language were compensated for by an increase in educational and employment opportunities for them, the level of dissatisfaction experienced by the non-Malays would be reduced substantially. However, the government has done the opposite. Non-Malays who have accepted Malay as the national language and attended Malay-medium schools still find themselves discriminated against in terms of job and higher-educational opportunities. Under such circumstances, people can be expected to react by clinging to the one last asset they have, i.e., their cultural heritage. The keen sense of cultural deprivation that non-Malays feel today cannot be understood apart from the economic deprivation that they face.

Inequality

The whole strategy of the government, particularly as embodied in the Malay Special Rights Program, has been to redress ethnic inequality rather than inequality per se; this despite the studies that show that the former accounts for only 10 to 20 percent of total inequality in society (Anand, 1973; Kusnic and Da Vanzo, 1980). In essence, the program reproduces the class structure presently found in the non-Malay communities on to the Malay society. It is therefore hardly surprising that the government's development efforts have worsened income distribution not only for the whole society but also within each community and particularly among the Malays. Table 7 shows the distribution of household income between 1957 and 1976.[21] Despite the slight fluctuations, the trend is unmistakably one of secular increase. Inequality among the Malay households was increasing most rapidly from 1957 to 1973 and then slowed down slightly in 1976. In 1973, the top 20 percent of Malay households took 50.8 percent of the total Malay income, compared with 48.6 percent and 51.3 percent for the Chinese and Indians respectively. We have discussed how the middle- and upper-class Malays have been in the best position to take advantage of the program and how it has resulted in increased ethnic tensions between the lower sections of the population who have to compete harder for the same resources.

Inequality within the Malay community has produced ruptures among themselves, a trend much feared by the ruling Malay party (UMNO), which has with increasing frequency appealed to the Malays to remain united. This conflict is manifested in several ways, some more direct than others. For example, organizations like the state Malay Chambers of Commerce that represent primarily the interests of small Malay businessmen have criticized government policies that favor big businesses. In a more indirect way, the disenchantment of some Malays is expressed through fundamentalist religious movements that are gaining popularity among the urban and middle-class Malays. While considerable research is still required to understand the exact nature of these movements in Malaysia, it is instructive to note parallel developments in Iran and Indonesia, where such movements often spearhead the interests of the petty bourgeoisie (Fischer, 1982; Robison, 1978).

Social Harmony

Finally, we shall consider the impact of the Malay Special Rights Program on social harmony. It is an avowed aim of the program to restructure society so as to achieve national unity. What has been the actual effect?

Before answering this question, two related issues should be considered. First, an affirmative action program is but one aspect of the larger problem of changing the existing unequal distribution of resources between groups in a society. When resources are unequally distributed between social groups according to purely economic criteria, we refer to the resultant system as class structure or class stratification. Here, horizontal layers, i.e., social classes, whose boundaries are permeable depending on the degree of social mobility, are vertically or hierarchically arranged. This may be termed the vertical dimension of differentiation. On the other hand, when resources are unequally distributed according to noneconomic criteria such as ethnicity or sex, we get ethnic or sexual stratification. Ethnic and sexual divisions in society are basically horizontal differentiation.

However, when certain ethnic or sexual groups are not only differentiated and segmented but also hierarchically slotted into the stratification system of society, then they also assume a vertical dimension. That is, they are both segmented and hierarchical (Hechter, 1978); ethnic and class membership tend to overlap. Affirmative action programs in general only aim at removing the segmentation aspect, i.e., dispersing the ethnic groups into various classes, without eliminating the hierarchical dimension: inequality as a whole.

The second related issue is whether it is possible to avoid conflict and dissent when the existing unequal distribution of resources in a society is either maintained or changed--a dilemma faced by Malaysia for which there is no easy solution. It is unlikely that there can be social harmony if the problem of ethnic inequality in Malaysia were not redressed. It is also unlikely that those that are negatively affected by any change in the redistribution process will not create conditions of conflict. The question, therefore, is not how can we avoid social costs, but how can we minimize them and who is to bear them? Thus far, redistribution has stopped at the point of ethnic redistribution without touching the problem of inequality as a whole.

In this strategy, the groups that bear the social costs are the lower classes of all communities, particularly the non-Malays, while the fruits are enjoyed by the upper classes of all communities, particularly the Malays. Furthermore, such a strategy does not minimize social conflict, it only exacerbates ethnic tensions among those who bear the costs, thus making the goal of national unity more elusive. The alternative strategy of redressing both ethnic and class stratification at the same time has not been adopted not because it is socially unfeasible but because it is politically unacceptable to those in power.

Conclusions

Malaysia's affirmative action program, legally constituted as Malay Special Rights, stands as one of those rare cases of success, if success is measured purely in terms of the extent to which it has brought about an

improvement in the economic position of Bumiputras.[22] Advances made by Bumiputras in the fields of education, employment, occupational mobility, ownership of small businesses, as well as large corporations, have been impressive and, in some cases, have even surpassed that of the non-Malays. This success can be attributed to the political hegemony that the Malays enjoy and are able to use to promote the Malay Special Rights Program.

The same success, however, cannot be claimed for the objective of creating a harmonious and unified society. On the contrary, Malay Special Rights has remained the most contentious issue, threatening constantly to tear the fabric of society apart. The racial riots of 1969 were fundamentally related to it; the Malays were unhappy because it was not producing enough results, the non-Malays, because it had gone too far. Following the riots, the Malays, because of their political hegemony, managed to give the program a further boost, thereby alienating the non-Malays even more.

It does not appear that the affirmative action program, as is presently conceived in purely ethnic terms, could contribute to social unity because the conventional idea of a minority that is discriminated against politically, economically, and socially does not apply to Malaysia. While Malays are economically disadvantaged, they are politically superior, and the opposite is true for the non-Malays. Therefore, who constitutes a minority and should receive special assistance is ambiguous. But if the primary purpose of any affirmative action program is social and economic justice and redistribution in favor of the discriminated, as it should be, then the primary consideration for receiving assistance should be based on need, a universalistic criterion, rather than ethnicity, a particularistic trait. Unless the government is willing to use this yardstick, its economic boon will also prove to be its social bane.

NOTES

1. In this paper, the terms "Bumiputra" and "Malay" will be used interchangeably for two reasons: (a) the concept of Special Rights was meant originally for the Malays; other native groups were only added later, and the term "Bumiputra" was coined to include them; (b) Malays still form the majority of Bumiputras, and the program benefits them most.

2. Even though the legitimate rights of other communities are mentioned, no guidelines are specified so that the phrase does not carry with it any substantive content.

3. A slight concession was made by allowing the implementation of Article 153 to be questioned.

4. Means (1972) has a good discussion on the history of Special Rights, and I have availed myself of some of his ideas.

5. It has been argued that colonial rule strengthened the position of the sultans in the following ways: (a) it assured them of a stable and increased income; (b) their claim to superior proprietary ownership of all lands was given legal status; (c) their power vis-a-vis the local chiefs was enhanced.

6. For a detailed discussion of the Malay Reservation Enactment, see T. G. Lim, 1977:106 and D. Wong, 1977:chap. 13.

7. This, however, did not mean Malays benefited most from colonial educational policies. On the contrary, non-Malays were best able to take advantage of the English education offered as they were located principally in towns. In 1901, of the total number of boys enrolled in English schools in the Straits Settlement, only 5.2 percent were Malays, 59 percent Chinese, and 21 percent Indians (Loh, 1975:51).

8. It needs to be emphasized that the bulk of the economy was not owned by non-Malays but by foreigners.

9. The Alliance Party won the first federal elections in 1955 and became the ruling party. It is an intercommunal party, made up of three communally organized parties--UMNO (United Malay National Organization), MCA (Malayan Chinese Association), and MIC (Malayan Indian Congress).

10. The Malayan Civil Service is considered the most prestigious and powerful section of the public service. Its high-level officers participate in top-level policy-making processes (Tilman, 1964: chap. 5).

11. MARA is just one of the numerous government agencies providing scholarships. Every state government, as well as numerous federal government agencies, has its own scholarship schemes.

12. The terms "Ali-Baba" and "Ali-John" refer to a partnership in which one party, Ali, representing the Malay, is a sleeping partner who allows the non-Malay partner to run and control the business.

13. This problem also has its historical roots where the Malay aristocracy's involvement in business took the form of leasing mining or planting rights to Chinese businessmen for a tribute.

14. See the studies of Popenoe (1970); Charlesworth (1974); Abdul Aziz (1977); Abdul Ghani (1980); and the various reports of the Bumiputra Economic Congresses.

15. While Malay businesses receive loans from Malaysian Industrial Finance Ltd. (MIDF), its major emphasis is to grant industrial loans without regard to ethnicity (at least before 1969).

16. See the Malaysian government publication, Towards National Harmony, Kuala Lumpur, 1971.

17. This negative growth is because non-Malays could not receive contracts for projects under category F. Hence there were no category F non-Malay contractors. The increase in the number of non-Malay contractors in categories D-EX is marginal.

18. We do not know what percentage of the non-Malay contractors are foreign contractors. However, the rather significant increase in the percentage of foreign capital in construction industry from 5.9 percent to 28.6 percent may indicate that it is substantial (Malaysia, 1981:64).

19. See the profiles of Malay businessmen in Malaysian Business, January 1; August 1978; March 1977; and Economic Bulletin, March 1976.

20. "Ah Kow" and "Ahmad" are common Chinese and Malay names respectively.

21. It has been pointed out that while the data for the different years are not strictly comparable, given the different samples and methods used in the studies, they can be used to identify the secular trend (Snodgrass, 1980).

22. Even this economic "success" has to be qualified because of the increasing inequality that has occurred within the Bumiputra community.

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